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IN THE

Supreme Court of the United States

OCTOBER TERM, 1960.

No.

THE SEVEN-UP COMPANY,

Petitioner,

vs.

THE O-SO GRAPE COMPANY, ET AL.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

To the Honorable the Chief Justice of the United States and the Associate Justices of the Supreme Court of the United States:

Petitioner, The Seven-Up Company, plaintiff in the District Court, appellant below, prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered in the above-entitled case on October 12, 1960.

I.

CITATIONS TO OPINIONS BELOW.

The judgment of the District Court appears at page 96 of Plaintiff's Appendix. No opinion was filed by the District Court respecting the dismissal of the complaint from

which petitioner appealed. The opinion of the Court of Appeals, printed in Appendix A hereto (p. 17), is reported at 283 F. 2d 103.

II.

JURISDICTION.

The judgment of the Court of Appeals was entered on October 12, 1960 (App. B., *infra*, p. 23). Rehearing was denied on November 18, 1960 (App. C., *infra*, p. 25). The jurisdiction of this Court is invoked under 28 U. S. C., Section 1254(1) and 15 U. S. C., Section 1122.

III.

QUESTIONS PRESENTED.

A. Whether, in an action for trademark infringement, laches summarily bars injunctive relief notwithstanding alleged, continuing and future, intended deception of the public.

B. Whether the court has a duty to protect the public against continuing and future intended trademark deception notwithstanding plaintiff's laches.

C. Whether an offered and accepted judgment under Rule 68 of the Federal Rules of Civil Procedure, disposing of a separate trial of the issue of laches, must be limited to its terms, or instead may be subsequently extended by the court beyond those terms.

D. Whether laches is a defense in an action to enjoin infringement of a trademark which has become incontestable under the Lanham Trademark Act (15 U. S. C. 1115(b)).

V.

STATUTES INVOLVED.

The statutory provisions involved are Sections 32(1) and 33(b) of the Lanham Trademark Act, Title 15 U. S. C. 1114(1) and 1115(b) (App. D., *infra*, p. 26). Also involved is Rule 68 of the Federal Rules of Civil Procedure (App. D., *infra*, p. 28).

V.

STATEMENT.

This action is for trademark infringement, unfair competition, and trademark dilution respecting plaintiff's incontestable, federally registered trademark SEVEN UP (7 UP). The jurisdiction of the District Court was invoked because it arises under the Lanham Trademark Act, 15 U. S. C. 1122, and is a diversity action involving the jurisdictional amount.

The action arises out of defendants' alleged emphasis and use of the trademark BUBBLE UP. The parties' products are lemon-lime soft drink beverages. Injunctive relief against the use of the UP portion of BUBBLE UP is sought (Plfs' A. p. 13). Also prayed for were an accounting of profits and damages (Plfs. A. pp. 5-15). Defendants answered with a general denial and affirmative defenses of laches and acquiescence (Plfs'. A. pp. 17-30).

Defendants sought and were granted a separate trial on the issue of laches (Plf's. A. p. 69). Plaintiff moved to modify the order granting a separate trial so that it might proceed with discovery and with the presentation of evidence respecting defendants' alleged intent to trade upon plaintiff's reputation and good will and the alleged public confusion and deception resulting from defendants' use of

UP (Plf's. A. p. 70). The District Court denied plaintiff's motion (Plf's. A. p. 71) and also its subsequent motion to permit application for an interlocutory appeal (Plf's. A. p. 81).

Plaintiff then offered judgment to defendants under Rule 68, Fed. R. Civ. P., respecting the separate trial on the separate issue of laches (Plf's. A. pp. 89-90). The offer was accepted, and the Clerk entered the judgment specified, namely, judgment in favor of defendants on the separate issue of laches (Plf's. A. p. 91).

Following the disposition of the laches issue, defendants moved for judgment on the pleadings, and plaintiff moved to set the case for trial (Plf's. A. pp. 93-94). Defendants' motion, amended to a motion to dismiss, (*i. e.*, summary judgment) (Plf's. A. p. 95), was granted dismissing the complaint (Plf's. A. p. 96) and plaintiff's motion to set the case for trial accordingly was denied (Plf's. A. p. 97).

Plaintiff appealed from the order dismissing its complaint, and defendants appealed from the denial of injunctive relief against plaintiff and from the order requiring each party to bear its own costs (Plf's. A. pp. 98-99). Subsequent to the filing of both notices of appeal, the District Court entered Findings of Fact and Conclusions of Law proposed by defendants (Plf's. A. pp. 100-103). Plaintiff moved to expunge those Findings of Fact and Conclusions of Law, but this motion was also denied (Plf's. A. pp. 103-104).

The Court of Appeals affirmed the judgment of the District Court (App. B., *infra*, p. 23). Plaintiff's Petition for Rehearing was denied (App. C., *infra*, p. 25).

VI.

REASONS FOR GRANTING THE WRIT.

A. The Decision Below Conflicts With Those of This Court and the Other Circuits Holding That Laches Does Not Bar Injunctive Relief in Trademark Cases.

The decision of the court below, affirming the summary dismissal of the complaint, directly conflicts with the decisions of this Court which hold that laches, although precluding recovery for damages and profits, does not bar injunctive relief when there is continuing confusion resulting from intended trademark infringement. This Court, in *McLean* v. *Fleming*, 96 U. S. 245 (1877), considered the defense of "inexcusable laches" of more than twenty years in a trademark infringement action and held, at page 258:

> "Acquiescence of long standing is proved in this case, and inexcusable laches in seeking redress, which show beyond all doubt that the complainant was not entitled to an account nor to a decree for gains or profits; but infringement having been proven, showing that the injunction was properly ordered, he is entitled to the costs in the Circuit Court; but the decree for an account and for the supposed gains and profits being erroneous, the respondent, as appellant, is entitled to costs in this court."

In *Menendez* v. *Holt*, 128 U. S. 514 (1888), this Court reconsidered the general proposition that laches is no bar to injunctive relief in trademark actions and held, at page 523:

> "Counsel in conclusion earnestly contends that whatever rights appellees may have had were lost by *laches;* and the desire is intimated that we should reconsider *McLean* v. *Fleming*, 96 U. S. 245, so far as it was therein stated that even though a complainant were guilty of such delay in seeking relief upon infringe-

ment as to preclude him from obtaining an account of gains and profits, yet, if he were otherwise so entitled, an injunction against future infringement might properly be awarded. We see no reason to modify this general proposition, and we do not find in the facts as disclosed by the record before us anything to justify us in treating this case as an exception.

"The intentional use of another's trade-mark is a fraud; and when the excuse is that the owner permitted such use, that excuse is disposed of by affirmative action to put a stop to it. Persistence then in the use is not innocent; and the wrong is a continuing one, demanding restraint by judicial interposition when properly invoked."

The rationale is clear. Laches only defeats the right to recover for past infringements. It does not bar injunctive relief against continuing trade-mark infringement and future unfair competition. At page 524, this Court stated:

"So far as the act complained of is completed, acquiescence may defeat the remedy on the principle applicable when action is taken on the strength of encouragement to do it, but so far as the act is in progress and lies in the future, the right to the intervention of equity is not generally lost by previous delay, in respect to which the elements of an estoppel could rarely arise."

Also holding that laches can be no defense in actions for trademark infringement and unfair competition, if the facts disclose intentional and deliberate deception of the public, are this Court's decisions in *Hanover Milling* v. *Metcalf*, 240 U. S. 403, 419 (1916) and *United Drug Co.* v. *Rectanus Co.*, 248 U. S. 90, 102 (1918).

The trial court below twice denied plaintiff its right to trial of the issues of continuing, future, and intended deception and confusion of the public (Plf's. A., pp. 71, 96-97). The courts below had properly before them

on the issue of laches only the terms of the offered, accepted and entered judgment under Rule 68, which reads:

> "That judgment be and hereby is entered for defendants on the separate issue of laches" (Plf's. A. p. 91).

Thus, in affirming the summary dismissal by the trial court of plaintiff's claims of continuing, intended deception, the court below has held, contrary to the above explicit adjudications of this Court, that plaintiff's laches summarily bars injunctive relief. In so holding the court is also in direct conflict with the decisions of the other Circuits:

San Francisco Ass'n for the Blind v. *Industrial Aid*, 152 F. 2d 532, 537 (8th Cir. 1946).

Stork Restaurant v. *Sahati*, 166 F. 2d 348, 363 (9th Cir. 1948).

Rothman v. *Greyhound Corporation*, 175 F. 2d 893, 895 (4th Cir. 1949).

Grove Laboratories v. *Brewer & Co.*, 103 F. 2d 175, 185 (1st Cir. 1939).

Reid Murdoch & Co. v. *H. P. Coffee Co.*, 48 F. 2d 817, 820 (8th Cir. 1931).

Layton Pure Food Co. v. *Church & Dwight Co.*, 182 Fed. 35, 41 (8th Cir. 1910).

Safeway Stores v. *Dunnell*, 172 F. 2d 649, 656 (9th Cir. 1949).

Brooks Bros. v. *Brooks Clothing of California*, 158 F. 2d 798 (9th Cir. 1947), affirming and adopting 60 F. Supp. 442, 458 (S. D. Cal. 1945).

Middleby-Marshall Oven Co. v. *Williams Oven Mfg. Co.*, 12 F. 2d 919, 921 (2nd Cir. 1926).

Moreover, the court below has, in effect, reversed its own previous holdings that laches does not bar injunctive relief in trademark cases:

Dr. Peter H. Fahrney & Sons Co. v. *Ruminer*, 153 Fed. 735, 737 (7th Cir. 1907).

A. E. Staley Mfg. Co. v. *Staley Milling Co.*, 253 F. 2d 269, 279 (7th Cir. 1958).

Independent Nail & Packaging Co. v. *Stronghold Screw Prod.*, 205 F. 2d 921, 927 (7th Cir. 1953).

Mantle Lamp Co. of America v. *Aladdin Mfg. Co.*, 78 F. 2d 426, 429 (7th Cir. 1935).

The lower court's opinion relies upon that in *French Republic* v. *Saratoga Vichy Spring Co.*, 191 U. S. 427 (1903), and states that this Court "ruled that all relief should be denied in a trademark case where plaintiff had acquiesced for some thirty years in defendant's use of the word 'Vichy' in marking mineral waters." (App. A., *infra*, p. 22.) The statement indicates, however, that the *Vichy* case was misconstrued by the court below in two material respects. First, all relief was not denied in the case, since the injunction against the deceptive use of "Vichy" on the neck label was not before this Court and was not disturbed (p. 440). Second, this Court clearly relied upon the fact that "Vichy" no longer functioned as a trademark, but instead had become the generic term describing the waters. This Court stated, at page 437:

> "In fact they had allowed the name to become generic and indicative of the character of the waters."

Following such a finding, there was no room for further consideration of confusion arising out of "Vichy". Since "Vichy" had been held to have become generic, by definition it no longer indicated source and the use of it by another could no longer confuse as to source. Moreover, this Court recognized at page 439 that a showing of fraud or intentional deception would vitiate a defense of laches:

> "But conceding that the defense of laches would not be available, in a case of actual fraud, or an attempt to foist upon the public the waters of the defendant as those of the original Vichy spring, *Mc-*

> *Intire* v. *Pryor*, 173 U. S. 38; *Saxlehner* v. *Eisner & Co.*, 179 U. S. 19; *Prevost* v. *Gratz*, 6 Wheat. 481, 497; *McLean* v. *Fleming*, 96 U. S. 245; *Menendez* v. *Holt*, 128 U. S. 514, we find but little evidence of such purpose in this record."

This Court concluded its opinion at page 441 by noting that the record revealed neither confusion nor fraud:

> "Applying this doctrine to the case under consideration we are clearly of the opinion that there is no such similarity in the labels as at present used, and that there is no such fraud shown in the conduct of the defendant as would authorize us to say that plaintiffs are entitled to relief."

Unlike the present case, the "Vichy" case came to this Court after a full trial. That trial disclosed not only the absence of confusion, but also the absence of any possibility of confusion, because of the finding that the word "Vichy" had become generic. Moreover, it disclosed the absence of fraud. This Court's opinion shows that it specifically relied upon these elements in considering the effect of plaintiff's laches in denying relief. Unless plaintiff in the present case is afforded a trial and the right to offer evidence on the issues of confusion and intent to defraud, these facts are left only to speculation.

The lower court apparently reasoned in the present case that it was entitled to look beyond plaintiff's accepted offer of judgment on the laches issue and to consider preliminary materials filed in support of the preliminary motion for separate trial on laches. But, as plainly appears from the decisions cited above, the rule of this Court, of the other Circuits, and previously of the Seventh Circuit, is that laches does not bar injunctive relief against the continuing, deceptive torts of intended trademark infringement. Thus, the lower court's decision is either in direct conflict with the decisions of this Court and those of the other Cir-

cuits, or the court has summarily decided in the negative the alleged factual issues of intentional, continuing public deception without benefit of any trial of those issues. Since there is no indication in the lower court's opinion that it summarily ruled upon the merits of the issues of the alleged intentional deception and confusion arising out of defendant's accused use, and since any such ruling would have been plainly erroneous, it must be concluded that the decision is a conflicting one.

As appears from the above decisions, previously the law in trademark cases has been well settled respecting the right to injunctive relief despite laches when intended, continuing deception appeared. Now, however, the lower court's decision has entirely unsettled the law on this constantly arising question. Settlement and resolution of the conflict is plainly in the public interest, because the question repeatedly arises in trademark cases due to the natural reluctance to sue for trademark infringement until public confusion has become commercially intolerable.

In relatively recent years our economy has evolved into one of national markets and national advertising. Competition for such markets depends wholly upon the identifying device of trademarks to connect the goods with their source and the resultant goodwill with its owner. Without the sanctity of rights afforded by our law of trademarks, our competitive economy obviously could not exist. Thus, an unresolved conflict as to so basic and common a question as the effect of laches upon trademark rights is a question deserving consideration by this Court.

B. The Decision Below Conflicts With Those of the Other Circuits Holding That the Courts Have a Duty to Protect the Public Against Trademark Deception.

The Courts of Appeal of the other Circuits, and previously the court below, have repeatedly recognized their duty to protect the public from the use of any trademark likely to cause confusion as to source among purchasers. 15 U. S. C. 1114(1) (App. D, *infra*, p. 26). They have likewise held that laches does not negate that duty to protect the public from confusion, deception and mistake. In *Scott Paper Co.* v. *Marcalus Co.*, 326 U. S. 249, 257 (1945), a patent case, this Court held:

> "For no more than private contract can estoppel be the means of successfully avoiding the requirements of legislation enacted for the protection of the public interest."

The above was quoted and followed in the recent trademark case, *A. E. Staley Mfg. Co.* v. *Staley Milling Co.*, 253 F. 2d 269, 279 (7th Cir. 1958), wherein a different panel of the court below held that laches and estoppel did not bar injunctive relief. Likewise holding that the courts have a duty to protect the public from trademark confusion are: *Stahly, Inc.* v. *M. H. Jacobs Co.*, 183 F. 2d 914, 917 (7th Cir. 1950); *Rosenberg Bros. & Co.* v. *Elliott*, 7 F. 2d 962, 966 (3rd Cir. 1925); *Florence Mfg. Co.* v. *J. C. Dowd & Co.*, 178 Fed. 73, 75 (2d Cir. 1910); *Stork Restaurant* v. *Sahati*, 166 F. 2d 348, 363 (9th Cir. 1948); *San Francisco Ass'n for the Blind* v. *Industrial Aid*, 152 F. 2d 532, 537 (8th Cir. 1946); and *Safeway Stores* v. *Dunnell*, 172 F. 2d 649, 656 (9th Cir. 1949).

Implicit in the lower court's present decision is either an extra-judicial determination that the alleged confusion does not exist, or a judicial decision that it may be disregarded. Both alternatives are untenable. Plaintiff was

twice denied trial of that issue by the District Court. It being unreasonable to presume that the court erred so gravely as to have decided that factual issue either negatively or affirmatively without any evidence, there is left then the only other alternative, namely, that the court disregarded its previously recognized duty to protect the public from the alleged trademark deception. Thus, the lower court's decision is in direct conflict with the above decisions of the other Circuits. The question is manifestly of public interest deserving the consideration of this Court, because it is indeed the public interest itself which has been disregarded.

Just as the Federal Trade Commission may not be barred in its efforts to enjoin deceptive labeling against which it may have long delayed in seeking the protection of the public required by that Act, so plaintiff's failure to proceed earlier against a deceptive trademark user should not relieve the court of its duty to protect the public from such deception. No amount or kind of laches, acquiescence or other negligence of plaintiff should afford defendants the right to deceive and defraud the public, or that portion of the public which buys soft drinks. Whether the public actually suffers such deception is a question of fact, and it is of this fact question which the courts below have refused plaintiff trial.

Two separate rights are involved—the right of the trademark owner and the right of the public not to be confronted with deceiving merchandise. Whatever the court may decide as to the private right to recover for past infringements, it may not properly disregard the public interest. This Court has not previously spoken on this important judicial obligation. Now, however, the disavowal implicit in the lower court's decision calls for the expression of this Court's views.

C. The Decision Below Materially Diminishes the Beneficent Provisions of Rule 68 of the Federal Rules of Civil Procedure.

Pursuant to Rule 42(b), Fed. R. Civ. P., defendants were granted separate trial by the District Court of the issue of laches raised in their affirmative defense (Plf's. A. p. 69). Plaintiff sought modification of that order to permit it to prove in that separate trial the facts as to confusion and intended deception, arguing that as to injunctive relief the law required that the facts as to confusion and intent be considered as essential to a proper determination of the legal effect of laches in a trademark case (Plf's. A. p. 70). The court denied plaintiff's motion (Plf's. A. p. 71), however, and subsequently plaintiff offered judgment "for defendants on the separate issue of laches" (Plf's. A. pp. 89-90) which was accepted and entered in those terms (Plf's. A. p. 91). Defendants then sought dismissal of the complaint on the ground that the laches judgment disposed of the case (Plf's. A. p. 93), and plaintiff sought trial of the remaining issues of confusion and intended deception of the public on the ground that laches barred only monetary recovery for past infringements but not injunctive relief against continuing, future trademark confusion and deception (Plf's. A. p. 94). The courts below sustained defendants' position, and thus plaintiff has never had trial or consideration of the fact issues of confusion and intended deception.

In reaching its decision that plaintiff's laches was of such a character that plaintiff was guilty of "much more than mere delay" and of "prolonged and inexcusable" laches (App. A., *infra*, p. 21), the court below necessarily considered and relied upon discovery materials not offered in evidence and claims and statements appearing in affidavits filed in support of defendants' preliminary motion for a

separate trial on laches. Yet, only the terms of the accepted, agreed-upon judgment which disposed of the laches issue were properly before the court. As to that issue, the terms of that offered and accepted judgment are unvariable. It is an agreed order which is final and unappealable by either party on the laches issue which it laid to rest.

Obviously, neither of the courts below had the power to vary the terms of the offered, accepted and entered judgment on the laches issue. Yet plaintiff did not offer a judgment of laches "so prolonged and inexcusable that it would be inequitable to permit the plaintiff to seek injunctive relief as to future activities" (App. A., *infra*, p. 21). It did not offer judgment of laches involving "much more than mere delay" (App. A., *infra*, p. 21).

The court below reviewed "the conduct of plaintiff pertaining to the issue of laches" (App. A., *infra*, p. 18) despite the specific terms of plaintiff's offered and accepted judgment. The court accordingly treated that agreed-upon judgment as though plaintiff had agreed to being adjudged guilty of gross, aggravated, inexcusable laches, or as though a trial had occurred on the issue of laches and plaintiff had been found guilty of gross, aggravated, inexcusable laches, both of which are contrary to the fact.

An accepted and entered offer of judgment is manifestly an agreed order or judgment on the issue it encompasses. When the parties have agreed to a certain form of judgment to dispose of an issue which is a part of a controversy, and that judgment has been entered, for a court subsequently to vary the terms of that judgment is to reform an agreement between the parties. The judgment of the court below, holding plaintiff guilty of "much more than mere delay" (App. A., *infra*, p. 21), goes far beyond the terms of the accepted judgment on laches and unfairly modifies the terms of that final, unappealable judgment entered by agreement of the parties.

The offer of judgment provisions of Rule 68, Fed. R. Civ. P., which were clearly designed to facilitate the expeditious disposition of issues and controversies, have never been construed by this Court. Variation of the terms of such offered and accepted judgments, which is the plain result of the lower court's decision, raises a serious question with sweeping implications. If such varying construction of an agreed judgment is permitted to stand, the beneficent provisions of Rule 68 are materially diminished. This is a question meriting the supervisory consideration of this Court.

D. The Decision Below Materially Diminishes the Statutory Right of Incontestability Afforded by the United States Trademark Act.

Although argued in the parties' briefs, the court below did not refer in its opinion to the fact that plaintiff's federal registrations of its trademark have become incontestable under the provisions of the Lanham Trademark Act, 15 U. S. C. 1065. Being incontestable, the registrations are "conclusive evidence of the registrant's exclusive right to use the registered mark." 15 U. S. C. 1115(b) (App. IV, *infra*, p. 26). Since plaintiff has such an exclusive right, and since laches is omitted from the defenses specifically enumerated by the statute, laches cannot be a defense to infringement of plaintiff's statutory rights. In *Apple Growers Association* v. *Pelletti Fruit Company*, 153 F. Supp. 948 (N. D. Cal. 1957), the court held, at page 951:

> "As to the equitable defenses of laches, estoppel and acquiescence asserted by defendant, such defenses are not available as against allegations of infringement of trademarks which have become incontestable under the appropriate provisions of the Lanham Act, but in any event there is no credible evidence in this case to support any of the alleged defenses."

To the same effect is *Richard Hudnut* v. *DuBarry of Hollywood, Inc.*, F. Supp. , 127 USPQ 486, 489 (S. D. Cal. 1960).[1]

This Court has never construed the incontestability or other substantive provisions of the Lanham Trademark Act of 1946. The laches question raised here embraces the basic rights of all of the many thousands of owners of incontestable, federally registered trademarks and therefore deserves the expression of this Court's views.

VII.

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted.

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1. In *Polaroid Corp.* v. *Polarad Electronics Corporation*, 182 F. Supp. 350, 356 (E. D. N. Y. 1960), the court held *contra* but mistakenly stated that the defense of laches was applicable only because it came within the exceptions provided in Section 1065 of the Act. Reference to the Act discloses the court's error. Although 15 U. S. C. 1065 does afford specific exceptions to the incontestable right to the exclusive use of a trademark, contrary to the court's statement, laches is not one of those exceptions.

APPENDIX A.

IN THE UNITED STATES COURT OF APPEALS
For the Seventh Circuit

September Term and Session, 1960

No. 12921
THE SEVEN-UP COMPANY,
Plaintiff-Appellant.
v.
O-SO-GRAPE CO., et al.,
Defendants-Appellees.

No. 12922
THE SEVEN-UP COMPANY,
Plaintiff-Appellee.
v.
O-SO-GRAPE CO., et al.,
Defendants-Appellants.

Appeals from the United States District Court for the Southern District of Illinois, Northern Division.

October 12, 1960

Before DUFFY, SCHNACKENBERG and KNOCH, *Circuit Judges.*

DUFFY, *Circuit Judge.* This is a suit for trademark infringement, unfair competition and trademark dilution respecting plaintiff's registered trademark "Seven-Up (7-Up)." Plaintiff complains of defendants' use of the trademark "Bubble Up." Injunctive relief was asked against the "Up" portion of "Bubble Up." Accounting and damages were also asked by plaintiff.

Defendants answered with a general denial and affirmative defenses of laches and acquiescence. Under Rule 42(b), Federal Rules of Civil Procedure, defendants moved for a separate trial on the issue of laches. Extensive oral arguments were made and extensive briefs were submitted to the trial court which, on September 30, 1959, decided that there should be a separate trial on the issue of laches. The decision was accompanied by an exhaustive and detailed opinion.

Plaintiff then offered judgment to the defendants upon the separate issue of laches. The offer was accepted, and the clerk entered judgment in favor of defendants upon that issue.

Defendants moved for a judgment on the pleadings, and plaintiff moved to set the case for trial. Defendants then moved to amend their motion for judgment on the pleadings so as to convert it to a motion to dismiss, and for injunctive relief against plaintiff. The District Court granted the motion to amend and then granted the motion to dismiss the complaint. It refused to issue an injunction against plaintiff, and ordered the costs to be borne by plaintiff and defendants.

Plaintiff appealed from the order dismissing its complaint and defendants appealed from the denial of injunctive relief against plaintiff, and also from the order requiring each party to bear its own costs.

Plaintiff concedes that its laches precludes it from recovery of any past damages and profits. It claims, however, to be entitled to injunctive relief against the alleged continuing deception, unfair competition and trademark infringement. Plaintiff argues that the judgment against it based upon laches in no way justified the trial court in denying an injunction to prevent future infringement. It, therefore, becomes necessary to review the conduct of plaintiff pertaining to the issue of laches.

On October 2, 1942, plaintiff, Seven-Up Company, filed a suit in the United States District Court at St. Louis, Missouri, against the Cheer Up Sales Company of St. Louis, alleging the registered trademark "Cheer Up" infringed plaintiff's trademark "Seven-Up (7-Up)." On the same day in the same court, plaintiff filed a similar suit charging the registered trademark "Natural Set Up" infringed plaintiff's registered trademark "Seven-Up (7-Up)." About ten months thereafter, in the same court, plaintiff commenced a suit against Leroy O. Schneeberger, doing business as Bubble Up Company, alleging the trademark "Bubble Up" infringed the plaintiff's trademark "Seven-Up (7-Up)."

The case involving the trademark "Cheer Up" was fully tried. The judgment was adverse to plaintiff, the Court deciding that the trademark "Cheer Up" did not infringe the trademark "Seven-Up (7-Up)" and was not confusingly similar thereto. The Seven-Up (7-Up) Company appealed to the Circuit Court of Appeals of the Eighth Circuit, which affirmed.[1] Thereafter, the Seven-Up (7-Up) Company petitioned for certiorari. This was denied.[2] Plaintiff then filed a petition for a bill of review in the Eighth Circuit Court of Appeals. This was denied.[3] A petition for certiorari was again denied.[4]

After this series of reverses, plaintiff voluntarily dismissed its suit against the then owner of the mark "Bubble Up". The order of dismissal was dated March 13, 1946. Plaintiff also dismissed its suit which charged that the mark "Natural Set Up" infringed its mark.

The suit pending in St. Louis involving the trademark

1. 148 F. 2d 909.
2. 326 U. S. 727.
3. 153 F. 2d 231.
4. 329 U. S. 717.

"Bubble Up" was fully at issue before it was dismissed. In the thirteen years following such dismissal, plaintiff herein gave no notice and made no claim, orally or in writing, that the trademark "Bubble Up" was invalid or infringed the trademark "Seven-Up (7-Up)."

Between January 14, 1955 and October 18, 1955, the attorneys for the plaintiff and the defendants herein exchanged friendly correspondence which had the objective of cooperation of defendants in the use of its trademark "Bubble Up" to the end that the suffix "Up" would not become generic. During this period, no claim was made by plaintiff that the trademark "Bubble Up" was invalid or infringed plaintiff's trademark.

Defendants filed a motion to dismiss the instant appeal on the ground the judgment sought to be reviewed is essentially the one to which plaintiff consented and which was invited by plaintiff's offer of judgment. We ordered the motion to dismiss to be taken with the case.

We may assume that before the plaintiff agreed to a judgment against it on the issue of laches, plaintiff's attorneys had read the opinion of the trial court on the motion for a separate trial. Among statements appearing in that opinion was: "That estimate of economy in time appeals to the court if it appears likely that a decision on the laches issue in favor of defendants would probably be decisive of all issues in the case. * * * The court is not disposed to order a separate trial of the issues, however, unless it is to be reasonably anticipated that disposition of the laches issue in defendants' favor would place this litigation at rest." *Seven-Up Company* v. *O-So-Grape Co.*, 177 F. Supp. 91, 93. The Court further stated, at page 100: "It appears to the court that the defense of laches, if proved, would act as a bar to essentially all of plaintiff's claims."

When plaintiff's attorneys thereafter offered to permit judgment to be taken against plaintiff on the issue of laches, they knew that after such a judgment was entered, the trial court was likely to regard the litigation as ended. Nevertheless, we reject the argument of defendants that the judgment issued as to laches was necessarily final in the determination of the issues in the case at bar. We deny the motion to dismiss the appeal, and now proceed to consider the case upon the merits.

Mere delay in bringing suit ordinarily does not affect the right to an injunction against further use of an infringed trademark. *Independent Nail & Packing Co., Inc.*, v. *Stronghold Screw Products, Inc.*, 7 Cir., 205 F. 2d 921, 927; *Mantle Lamp Co. of America* v. *Aladdin Mfg. Co.*, 7 Cir., 78 F. 2d 426, 429. Laches does not necessarily constitute a conclusive and automatic bar to injunctive relief in trademark actions. However, in many instances, the delay may be so prolonged and inexcusable that it would be inequitable to permit the plaintiff to seek injunctive relief as to future activities.

In *Boris* v. *Hamilton Manufacturing Company*, 7 Cir., 253 F. 2d 526, 529, we said: "Laches is an equitable doctrine, not fixed by any unyielding measure, but to be determined in each case under its factual situation, and allowable 'where the enforcement of the asserted right would work injustice.' "

In the case at bar, much more than mere delay is present. In the thirteen years following the dismissal of its suit charging "Bubble Up" infringed its trademark, plaintiff did more than merely acquiesce in defendant's use of "Bubble Up." It would be highly inequitable to permit plaintiff at this late date, to seriously damage, if not destroy, defendants' business by use of injunctive relief.

In *French Republic* v. *Saratoga Vichy Spring Co.*, 191

U. S. 427, the Supreme Court ruled that all relief should be denied in a trademark case where plaintiff had acquiesced for some thirty years in defendant's use of the word "Vichy" in marking mineral waters. Although a shorter period of time is involved in the case at bar, the equities more strongly demand that injunctive relief be denied. We hold the trial court was correct in dismissing the complaint and action herein.

Defendants appeal from the denial of the trial court to issue an injunction restraining plaintiff from bringing future vexatious litigation on the same issues. We think it was within the discretion of the trial court to deny this motion.

Defendants also appeal on the matter of costs. It is well settled, the awarding of costs is within the discretion of the trial court. We do not find any abuse of that discretion.

Judgment

AFFIRMED.

APPENDIX B.

IN THE UNITED STATES COURT OF APPEALS
For the Seventh Circuit
Chicago 10, Illinois.

Wednesday, October 12, 1960

Before

Hon. F. Ryan Duffy, Circuit Judge.
Hon. Elmer J. Schnackenberg, Circuit Judge.
Hon. Win G. Knoch, Circuit Judge.

No. 12921
THE SEVEN-UP COMPANY,
Plaintiff-Appellant,
v.
O-SO-GRAPE CO., et al.,
Defendants-Appellees.

No. 12922
THE SEVEN-UP COMPANY,
Plaintiff-Appellee,
v.
O-SO-GRAPE CO., et al.,
Defendants-Appellants.

Appeals from the United States District Court for the Southern District of Illinois, Northern Division.

This cause came on to be heard on the transcript of the record from the United States District Court for the Southern District of Illinois, Northern Division, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the judgment of the said District Court in

this cause appealed from be, and the same is hereby, AFFIRMED, in accordance with the opinion of this Court filed this day.

It is further ordered and adjudged by this Court that there be no recovery of costs on appeal between the parties.

APPENDIX C.

IN THE UNITED STATES COURT OF APPEALS
For the Seventh Circuit,
Chicago 10, Illinois.

Friday, November 18, 1960.

Before

Hon. F. Ryan Duffy, Circuit Judge,
Hon. Elmer J. Schnackenberg, Circuit Judge,
Hon. Win. G. Knoch, Circuit Judge.

THE SEVEN-UP COMPANY,
Plaintiff-Appellant,

No. 12921 v.

O-SO-GRAPE CO., *et al.*,
Defendants-Appellees.

Appeal from the United States District Court for the Southern District of Illinois, Northern Division.

It is ordered by the Court that the petition for a rehearing of this cause be, and the same is hereby, DENIED.

APPENDIX D.

15 U. S. C. 1114(a):

Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services; or (b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of such goods or services, shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided, except that under subsection (b) hereof the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such mark is intended to be used to cause confusion or mistake or to deceive purchasers.

15 U. S. C. 1115(b):

If the right to use the registered mark has become incontestable under section 15 hereof, the certificate shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark has been assigned and is being used, by or with the permission of the assignee, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to the publication of the registered mark under subsection (a) or (c) of section 12 of this Act: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved.

(6) That the mark whose use is charged as an infringement was registered and used prior to the publication under subsection (a) or (c) of section 12 of this Act of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only where the said mark has been published pursuant to subsection (c) of section 12 and shall apply only for the area in which the mark was used prior to the date of publication of the registrant's mark under subsection (a) or (c) of section 12 of this Act.

(7) That the mark has been or is being used to violate the anti-trust laws of the United States.

15 U. S. C. 1122:

Writs of certiorari may be granted by the Supreme Court of the United States for the review of cases arising under this Act in the same manner as provided for in cases under the patent laws.

Rule 68, Fed. R. Civ. P.:

At any time more than 10 days before the trial begins, a party defending against a claim may serve upon the adverse party an offer to allow judgment to be taken against him for the money or property or to the effect specified in his offer, with costs then accrued. If within 10 days after the service of the offer the adverse party serves written notice that the offer is accepted, either party may then file the offer and notice of acceptance together with proof of service thereof and thereupon the clerk shall enter judgment. An offer not accepted shall be deemed withdrawn and evidence thereof is not admissible except in a proceeding to determine costs. If the judgment finally obtained by the offeree is not more favorable than the offer, the offeree must pay the costs incurred after the making of the offer. The fact that an offer is made but not accepted does not preclude a subsequent offer.

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JAMES R. BROWNING Clerk

IN THE

Supreme Court of the United States

OCTOBER TERM, 1960.

No. 727

THE SEVEN-UP COMPANY,
Petitioner,

vs.

THE O-SO GRAPE COMPANY, ET AL.,
Respondents.

BRIEF OF RESPONDENTS IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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THE DARNELL-WARREN PRINTING COMPANY, CHICAGO

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IN THE

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OCTOBER TERM, 1960.

No. 727.

THE SEVEN-UP COMPANY,

Petitioner,

vs.

THE O-SO GRAPE COMPANY, ET AL.,

Respondents.

BRIEF OF RESPONDENTS IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

I.

OPINIONS BELOW.

While Petitioner-Plaintiff noted the Opinion of the Court of Appeals as being reported at 283 F. 2d 103, it failed to give the citation of the exhaustive opinion, dated September 30, 1959, of the District Court, reported at 177 Fed. Supp. 91 (Pl. App. 53-69); and which was adopted *haec verba* as finding of facts and conclusions of law (Pl. App. 97) in the Judgment dismissing the complaint herein.

II.

QUESTIONS PRESENTED.

Petitioner's questions for review do not squarely or fairly present the equitable premise on which the suit was dismissed, and which is more properly presented by the following question:

> Where, upon a verified uncontroverted factual showing, the trial Court held Petitioner's laches, if proved, was of such a protracted and aggravated character to the material prejudice of Respondents as to constitute an estoppel, and bar all relief, and Petitioner, thereafter, by its entered Offer of Judgment admitted such laches,—Was the Court justified in dismissing Petitioner's complaint?

III.

STATEMENT

Defendants' trademark "Bubble Up" was registered in the United States Patent Office on *April 12, 1921*, under Registration No. 141,244, for an unfermented, non-alcoholic, non-cereal, maltless beverage, for use as a soft drink. (Pl. App. 20.)

Plaintiff's trademark "Seven-Up" was registered approximately eight years later in the United States Patent Office on *February 5, 1929*, as No. 252,350, for the same type of product. (Pl. App. 6.)

Petitioner's "Statement" omits the history of its prior litigation against the trademark "Bubble Up". Respondents submit such history is essential to an understanding of the decisions below.

On August 16, 1943, Petitioner, The Seven-Up Company, brought suit in the United States District Court, Eastern

Judicial District of Missouri, Eastern Division, against Leroy O. Schneeberger, doing business as Bubble Up Company. Schneeberger was Respondent's predecessor in business and ownership of the trademark "Bubble Up". In that suit it was alleged, among other things, that the trademark "Bubble Up" infringed the trademark "Seven-Up"; that the defendant Schneeberger was palming off his goods as those of the Seven-Up Company; that the public was confused thereby; that an injunction should issue against Schneeberger from using the trademark "Bubble Up" or from otherwise infringing the trademark "Seven-Up"; from engaging in unfair competition and for an accounting of profits realized by Schneeberger; and, finally, that "Bubble Up" registrations, Nos. 354,840 and 141,244, be declared void and cancelled. (Pl. App. 25, 26.)

The defendant Schneeberger filed a full answer to said complaint of The Seven-Up Company and full issue was joined. This suit was dismissed and abandoned on March 13, 1946, by The Seven-Up Company. From that date until March 20, 1959, when this suit was filed (Pl. App. 4) no further suit was filed attacking the trademark "Bubble Up". (Pl. App. 26, 33-36.)

Prior to the said 1946 suit the Seven-Up Company on October 2, 1942, had brought suit in the same U. S. District Court of Missouri against the trademark "Cheer Up". This suit alleged infringement by the trademark "Cheer Up" of the trademark "Seven-Up" and prayed for an injunction against the use of the trademark "Cheer Up" and that its registration in the United States Patent Office be cancelled. Issue was joined in said litigation and the case was fully tried. On July 6, 1944, judgment was entered against the Petitioner, The Seven-Up Company. It thereupon appealed to the Court of Appeals for the Eighth Circuit, which affirmed the judgment of the District Court (148 Fed. (2) 909; cert. denied 326 U. S. 727, 90 L. Ed.

431). Thereupon, Petitioner, The Seven-Up Company, filed a petition asking permission to file a bill of review and to adduce supplemental evidence. This petition was denied by the District Court. Again, appeal was taken and again the decision of the District Court was affirmed (153 Fed. (2) 231, cert. denied 329 U. S. 17, 19 L. Ed. 622). (Pl. App. 24-25.)

On the same day, October 2, 1942, that The Seven-Up Company brought its suit against the trademark "Cheer Up" it brought a similar suit in the same court against the trademark "Natural Set Up", which it also later voluntarily dismissed. (Pl. App. 46.) It is apparent from this course of litigation that Petitioner, The Seven-Up Company, had at one and the same time during the period from 1942 to 1946 three suits for infringement pending in the United States District Court at St. Louis, Missouri, against the marks "Cheer Up", "Natural Set Up", and "Bubble Up", in none of which it was successful, and that, as said by the Court of Appeals in its opinion (Pet. p. 19):

> "After this series of reverses, Plaintiff voluntarily dismissed its suit against the then owner of the mark 'Bubble Up'."

In response to the complaint Defendants filed their verified answer in which they pleaded affirmatively the defense of estoppel by laches. (Pl. App. 23-33.) The facts constituting the foundation of this affirmative defense are set out at Plaintiff's Appendix, pages 24-29. No denial of these facts was made by Plaintiff.

Defendants next filed their motion, pursuant to Rule 42(b), Federal Rules of Civil Procedure, for a separate trial on the affirmative defense of estoppel by laches. This motion was supported by two detailed affidavits of Defendants' officers. (Pl. App. 34-52.) No denial nor counter-affidavits were filed by Plaintiff. The trial court granted

this motion and in so doing filed a full and exhaustive opinion setting out its reasons for the order. (See 177 Fed. Supp. 92; Pl. App. 53-69.) The trial court's primary reason, as disclosed repeatedly in its opinion, was that if the issue of estoppel by laches was decided adversely to Plaintiff, it would be dispositive of the entire case and put the litigation at rest.

Thereafter, this issue was set for trial on December 7, 1959. (Pl. App. 71.) Thirteen days prior to trial the Plaintiffs, pursuant to Rule 68, Federal Rules of Civil Procedure, tendered judgment to Defendants on the issue of laches. (Pl. App. 89-90.) Defendants accepted this offer. (Pl. App. 90.) On the same day the following judgment was entered against the plaintiffs:

> "It is hereby ordered, adjudged and decreed:
>
> "That judgment be and is hereby entered for Defendants and against Plaintiff on the separate issue of laches." (Pl. App. 91.)

Thereafter, Defendants, pursuant to Rule 12(c), Federal Rules of Civil Procedure, filed their motion for judgment on the pleadings. (Pl. App. 93-94.) Thereafter, the trial court granted the motion for judgment on the pleadings (Pl. App. 96-97), which judgment adopted *haec verba* the Court's Opinion of September 30, 1959 as its finding of facts and conclusions of law.

Myriad trademarks with both the suffix and prefix "UP" have been registered in the United States Patent Office and used in the exploitation of soft drinks. A partial list of such trademarks, their registration numbers, and dates of registration in the United States Patent Office, is appended hereto for the Court's information as "Appendix A".

IV.

ARGUMENT.

This case involves none of the elements specified in Rule 19 of this Court as reasons for the issuance of a Writ of Certiorari. On the contrary, there is involved only the application of the common law principle of estoppel by laches against a trademark owner admittedly guilty thereof through its offer of judgment on that issue and by its failure to deny a single fact as to its grossly inequitable conduct.

Faced with this Record situation Petitioner poses four self-constructed "Reasons for Granting the Writ." We answer them in order.

A.

The Decision Below Is Not in Conflict With Those of This Court or the Courts of Other Circuits.

Under this caption Petitioner argues that regardless of its past conduct, however prolonged and inexcusable such may have been, it is entitled to injunctive relief. This argument is fallacious for the following reasons:

First: Courts of Equity have repeatedly held in trademark cases that a plaintiff may be guilty of such grossly inexcusable conduct as to estop it from all relief.

Second: Here there is not of record so much as a suspicion of *facts* which "disclose either past or present deception of the public."

To support its first position Petitioner relies on *McLean* v. *Fleming*, 96 U. S. 245, and *Menendez* v. *Holt*, 128 U. S. 514.

McLean involved the proven infringement of the trademark "Dr. McLane's Liver Pills" by the mark "Dr. J. H. McLean's Universal Pills". This court affirmed an injunction for plaintiff, but *because of delay in bringing the suit* refused an accounting for damages, saying at page 253:

> "Equity courts will not, *in general, refuse an injunction on account of delay in seeking relief, where the proof of infringement is clear*, even though the delay may be such as to preclude the party from any right to an account for past profits." (Emphasis supplied.)

It is clear from the above language that this court was laying down a broad and general rule predicated upon mere "delay in seeking relief, where the proof of infringement is clear." Here, Petitioner by tendering judgment to Respondents voluntarily foreclosed itself from making any proof of infringement and, as held by the courts below, it is patently guilty of much more than mere delay in bringing suit. The court below found:

> "Laches does not necessarily constitute a conclusive and automatic bar to injunctive relief in trademark actions. However, in many instances, the delay may be so prolonged and inexcusable that it would be inequitable to permit the plaintiff to seek injunctive relief as to future activities.
>
> * * * 'Laches is an equitable doctrine not fixed by any unyielding measure, but to be determined in each case under its factual situation, and allowable "where the enforcement of the asserted right would work injustice."'
>
> In the case at bar, *much more than mere delay is present*. In the thirteen years following the dismissal of its suit charging 'Bubble Up' infringed its trademark, *plaintiff did more than merely acquiesce* in defendants' use of 'Bubble Up'. It would be highly inequitable to permit plaintiff at this late date to seriously damage, if not destroy, defendants' business by use of injunctive relief." (Pet., p. 21.) (Emphasis supplied.)

Eleven years after *McLean* this court decided *Menendez* v. *Holt*, 128 U. S. 514, and there sustained a decree refusing accounting but granted injunctive relief. This court was urged to reconsider its holding in *McLean*. In commenting on its earlier decision in *McLean* this court made it crystal clear that where facts constituting estoppel were present or where to grant an injunction would be inequitable, it would refuse to do so. Petitioner has carefully chosen to close its quotation from *Menendez* (Pet., p. 6) at a most convenient juncture, which omits the salient reason for this court's affirmance of injunctive relief (page 524):

> "At the same time, as it is in the exercise of discretionary jurisdiction that the doctrine of reasonable diligence is applied, *and those who seek equity must do it*, a court might hesitate as to the measure of relief, where the use, by others, for a long period, *under assumed permission of the owner*, had largely enhanced the reputation of a particular brand.
>
> *But there is nothing here in the nature of an estoppel, nothing which renders it inequitable to arrest at this stage any further invasion of complainant's rights.*" (Emphasis supplied.)

Here, Respondents pleaded estoppel by laches as an affirmative defense. (Pl. App. 24.) This defense was necessarily admitted by Petitioner when, although forewarned by the District Court of the result of doing so, it tendered judgment on that issue. (Pl. App. 89-90.)

The Court of Appeals having found Petitioner guilty of "much more than mere delay" and of having done "more than merely acquiesce in Defendants' use of "Bubble Up", *McLean* and *Menendez* are transformed into clear authority for the judgment below because of the admitted grossly inequitable conduct of Petitioner.

In the later case of *Saxlehner* v. *Eisner & Mendelson Co.*, 179 U. S. 19, this Court barred all relief after a twenty

year delay except to enjoin the defendant from using a label which was a Chinese copy of a label used by plaintiff marking an identical commodity.

Still later, in *French Republic* v. *Saratoga Vichy Co.*, 191 U. S. 427, this court denied all relief in a trademark case where the plaintiff had acquiesced for some thirty years in defendant's use of the word "Vichy" in marketing mineral water.

The Courts of Appeals have universally denied injunctive relief in trademark cases upon facts which would make it inequitable to do so. Such cases are *France Milling Co.* v. *Washburn-Crosby Co.*, 7 Fed. 2d 304 (C. A. 2); *Thomas J. Carroll & Son* v. *McIlvaine & Baldwin*, 183 Fed. 22 (C. A. 2); *Ducinell-Wright Co.* v. *White House Milk Co.*, 132 Fed. 2d 822 (C. A. 2); *Anheuser-Busch* v. *DuBois Brewing Co.*, 175 Fed. 2nd 370 (C. A. 3); *Valvoline Oil Co.* v. *Havoline Oil Co.*, 211 Fed. 189; and *Pflugh* v. *Eagle White Lead Co.*, 185 Fed. 769 (C. A. 3, 1911), wherein the court barred all relief and reversed the District Court which had granted injunctive relief, and wherein the court gave particular attention to this court's holding in *Menendez* and said at page 772:

> "We are not unmindful of *Menendez* v. *Holt*, 128 U. S. 524, 9 Sup. Ct. 143, 32 L. Ed. 526, and other cases cited in the opinion below, that mere failure to enforce trade-mark rights will not preclude injunctive relief when it is sought. But those were cases where, as said in *Menendez* v. *Holt*, *supra*, there was nothing 'in the nature of an estoppel, nothing which rendered it inequitable to arrest at this stage any further invasion of complainant's rights.' In this case there is. The complainant notified the respondents of its alleged rights; the respondents positively asserted their adverse rights; the complainant acquiesced in the respondents building up their trade under their label for 8 years without further objection; then complainant notified again and again, but respondents stood their

> ground and continued for 6 years more to build up their adverse trade-mark rights before the complainant again broke its silence by asserting an exclusive right by filing this bill.
>
> Under such facts it would, in our judgment, be inequitable to arrest at this stage the respondent's trade, and therefore the decree of the court below must be reversed, with costs."

It is here singularly appropriate to quote from the interesting and illuminating case of *Valvoline Oil Co. v. Havoline Oil Co.*, 211 Fed. 189 (D. C. S. D. N. Y.) at page 195, wherein Judge Mayer said:

> "But it can not be equitable for a well informed merchant with knowledge of a claimed invasion of right, to wait to see how successful his competitor will be and then destroy with the aid of a court decree, much that the competitor has striven for and accomplished—especially in a case where the most that can be said is that the trade-mark infringement is a genuinely debatable question."

Petitioner under its "Questions Presented" (Pet., p. 2) would thrust upon this court the question, whether in a trademark infringement action, laches summarily bars injunctive relief. This is a completely false issue. The District Court did not hold, the Court of Appeals did not hold, and Respondents do not contend that laches (mere delay) constitutes a summarily conclusive or automatic bar to injunctive relief in trademark infringement actions. What the District Court held, what the Court of Appeals and other courts have held, and what Respondents contend is simply this:

First. Laches which is prolonged and inexcusable and which operates to a defendant's material prejudice may be held in the sound discretion of a Court of Equity to be an estoppel and bar all relief.

Second. The burden of satisfactorily explaining such

aggravated laches devolves upon the plaintiff and such explanation is completely absent here.

Third. The extent of the application of the equitable doctrine of estoppel by laches is to be determined in the sound discretion of the Chancellor under the particular factual situation presented. See *Boris, et al.* v. *Hamilton Mfg. Co.*, 253 Fed. 2nd 526, 528, 529 (C. A. 7).

In conclusion upon this point, the application of the fundamental common law doctrine of estoppel by laches does not even remotely constitute a sufficient reason for calling forth the issuance of a writ of certiorari by this Court.

B.

Petitioner's Present Concern With the Public's Interest Against Trademark Deception Is a Self-Serving Posture.

On August 16, 1943, Petitioner brought suit in the United States District Court at St. Louis, Missouri, against the then owner of the trademark "Bubble Up" with allegations of infringement and invalidity almost identical with those alleged here. (Def. App. 11-18.) A full answer denying all material allegations was filed by Defendant and the case was at issue. (Def. App. 19-30.) On March 13, 1946, Petitioner voluntarily abandoned and dismissed this suit. (Pl. App. 26.)

A year earlier, in 1942, Petitioner here had brought suit in the District Court of the United States at St. Louis against the owner of the trademark "Cheer Up", alleging infringement and praying that the trademark "Cheer Up" be cancelled and its use enjoined. After full trial, "Cheer Up" was held not to infringe "Seven-Up" and the suit was ordered dismissed. Two appeals followed to the Court of Appeals for the 8th Circuit, both of which were adverse to the Petitioner here. Petitions in both appeals were

addressed to this Court for a Writ of Certiorari and were denied. (See *Seven-Up v. Cheer Up Sales Company, et al.*, 148 Fed. 2nd 909; cert. denied 326 U. S. 727; 90 L. Ed. 431. See also *Seven-Up Company v. Cheer Up Sales Company, et al.*, 153 Fed. 2nd 231, cert. denied 329 U. S. 717; 91 L. Ed. 622.) Despite the above record of judicial abandonment Petitioner assumes that the American buying public will be defrauded unless it is cloaked in Plaintiff's self-constructed mantle of protection.

Plaintiff in its St. Louis suits against "Cheer Up" sought to become the champion of the public. Such position was judicially repelled by five adverse decisions, one by the District Court after full trial, two by the Court of Appeals for the Eighth Circuit, and two by this Court.

If Plaintiff is serious in championing the public interest it is pertinent to ask why it did not champion the public interest in 1943 when it had the opportunity to do so in the District Court at St. Louis? It is pertinent to ask why it voluntarily dismissed that suit? It is also pertinent to ask why it waited over thirteen years since the dismissal of that suit to become conscious of the supposed need of the American buying public for its protection? It is pertinent to ask also how Petitioner, in reason, logic, or justice, can take its supposed protective position in the light of the fact that it adopted its trademark "Seven-Up" eight years following the registration of Respondents' trademark "Bubble Up"? It is pertinent to ask, if there be public confusion or deception, which Respondents emphatically deny, whether such confusion has not more logically been caused by Petitioner's having adopted a trademark containing the suffix "Up" at a time when Respondents' trademark had been previously registered?

The cases cited by Petitioner (Pet., p. 11) were all decided upon the particular facts before the Court in those cases. Respondents know of no court which, upon facts

even remotely similar to those here, has placed the public protection against confusion in the hands of the party who caused it.

This point again is self-constructed by Petitioner and has no relationship to the stated reasons of this court for its granting of the Writ of Certiorari.

C.

The Court Below Did Not Affect or Diminish the Provisions of Rule 68 of the Rules of Civil Procedure.

When the District Court granted Respondents' motion for a separate trial on the issue of estopped by laches it filed an exhaustive and detailed Memorandum Opinion (177 Fed. Supp. 91 Pl. App. 53-69), in which it advised Petitioner repeatedly and emphatically that if the issue of estopped by laches were determined in Respondents' favor, it would be dispositive of all issues and place this litigation at rest. Despite being so forewarned, Petitioner nevertheless tendered to Respondents a judgment on the very issues which the Court had said would dispose of this case (Pl. App. 89-90). This offer was accepted and, as heretofore related, resulted in a judgment of dismissal of the complaint upon Respondents' motion. Petitioner's tenuous argument is a mere complaint that the courts below made public the admitted facts as to Petitioner's inequitable conduct, which, in turn, compelled the finding and judgment of estoppel by laches and acquiescence.

Petitioner conveniently refuses to recognize that the issue upon which it tendered judgment was the issue *created by Respondents' pleading* of the affirmative defense of estoppel by laches. Petitioner would here restrict Respondents' affirmative defense to laches alone

(mere delay). It would erase from Respondents' affirmative defense the resulting "estoppel".

In effect, Petitioner's argument is that even though the District Court, by reason of Petitioner's offer of judgment and acceptance, had found against Petitioner on a defense which disposed of the entire cause of action, nevertheless Petitioner was entitled to a long, protracted, and expensive trial as to other segments of the case. Petitioner would fragmentize the entire case. These fragments would be "estoppel by laches", "confusion of the public", "unfair competition", "infringement", "cancellation of respondents' trademark", "injunctive relief", and "accounting". Having thus fragmentized the case, it seeks to take the position here and sought to do in the Court of Appeals, that irrespective of the disposal of a dispositive fragment in Respondents' favor, it nevertheless is entitled to a full trial upon the other fragments. It would thus wipe out the purpose, operation, and effect of Rule 68.

All facts appearing of record on the issue of estoppel by laches are those presented by Respondents. They were verified and Petitioner had every opportunity to deny them in counter affidavits or by responsive pleadings. It did neither. The facts thereupon became admitted and it is upon these facts that the District Court and the Court of Appeals labeled Petitioner's odious conduct as prolonged and inexcusable and much more than mere delay.

Petitioner argues (Pet. 15) that the provisions of Rule 68, Federal Rules of Civil Procedure, were designed to facilitate the expeditious disposition of issues. The position it takes here would do exactly the reverse. Petitioner's offer of judgment and its acceptance by Respondent did facilitate and expedite the District Court's action. Petitioner now, despite its voluntary confession of judgment on a determinative issue would have this cause returned

to the District Court for trial upon the residual elements of the litigation. Such procedure would most assuredly not be consistent with what it now argues is the beneficent purpose of Rule 68.

In Petitioner's entire argument on this point (Pet., 13-15) it does not cite a single authority. The argument is of whole cloth and is evidence of Petitioner's untenable situation.

There is nothing in this point which should merit the attention of this Court.

D.

The Statutory Right of Incontestability Afforded by the United States Trademark Act Is Not Affected by the Decision Below.

It is not surprising that the Court of Appeals did not touch upon this contention in its opinion. It has no merit. It was not raised nor passed upon in the trial court.

A mere reading of 15 U. S. C. A. 1115(b) discloses that the scope and purpose of the Statute is to grant to the registrant of an incontestable mark immunity from all attacks except those specifically enumerated in the Statute. See "Developments in the Law, Trademarks and Unfair Competition", *Harvard Law Review* Vol. 68, No. 5, March, 1955, pp. 829-831.

No attack is or has been made upon Petitioner's mark in this litigation. The scope and reach of the Statute has no application in this situation.

Petitioner in support of this point cites *Apple Growers Ass'n* v. *Pelletti Fruit Co.*, 153 Fed. Supp. 948, 951 (D. C. Cal. 1957). The language quoted from that opinion plainly is *obiter dictum*.

A later exactly opposite result was reached by Judge

Rafiel in *Polaroid Corp. v. Polarad Electronics Corp.*, 182 Fed. Supp. 350, 356 (D. C. E. D. N. Y., March 29, 1960) affd. 128 U. S. P. Q. 411 (C. A. 2, Feb. 28, 1961):

> "The plaintiff contends that its right to Registration No. 540,179 has become incontestable under Section 1065 of Title 15, United States Code, and, hence, that under Section 1115 of said Title laches is not available as a defense to plaintiff's claim of infringement thereof. I think its contention is without merit since its claim comes within the exceptions provided in Section 1065, *supra*."

If Petitioner felt this point to be sound, why did it not file a motion to strike Respondents' affirmative defenses in the trial court? *Why*, if estoppel by laches is not a defense *did Petitioner tender judgment on that issue?* By recognizing that defense in the trial court it has waived all right to take its present position here.

To illustrate the complete inconsistency of Petitioner's position it becomes at once apparent that if this ground has merit, there is obviously no purpose to be served by Petitioner's arguments under "A", "B" and "C" at pages 5, 11, and 13 of its Petition, nor is there any reason to present Questions "A", "B", and "C" set forth at page 2 of the Petition. The positions taken by Petitioner here are mutually destructive. It argues at one and the same time the effect of its tendering judgment on the issue of laches and with pointed inconsistency that laches is no defense at all.

This point is further evidence of Petitioner's desperation. Not having pleaded or argued it in the trial court, it deserves no consideration here.

CONCLUSION

Petitioner has twice brought suit against the trademark "Bubble Up". It voluntarily elected to try neither. The first suit was voluntarily abandoned and dismissed. The second suit, the case at bar, was effectually abandoned by Petitioner's tender of judgment on the issue of estoppel by laches. It was under no compulsion to make its offer to Respondents. The case had been set for trial. It had the opportunity, if it desired to do so, to fully try the issue of its own inexcusable and prejudical conduct over the years. Petitioner has brought cancellation proceedings against Respondents in the United States Patent Office. All of these proceedings have been publicized to the Trade. Petitioner has threatened bottlers and bottle manufacturers. (Def. App. 7, 30.) It has never by voice or pen notified Respondents that their trademark was invalid. (Def. App. 35.) This thought never occurred to Petitioner. (Def. App. 36.) Its persistent, yet unproven, charge of confusion is destroyed by its own President, who blandly admitted that if there was confusion, it is basically the same today as it was eighteen years ago when Petitioner started its St. Louis suit against the then owner of the mark "Bubble Up". (Def. App. 36.) Petitioner's Vice President readily admitted that at the time this suit was started Petitioner did not have available any evidence of confusion. (Def. App. 38.)

Petitioner chose to adopt the trademark "Seven Up" in the face of the prior registration of "Bubble Up". It has seen the soft drink "Seven Up" and "Bubble Up" side by side in the open market for over twenty years. It has during this period viewed all of the local and national advertising of "Bubble Up". It has agreed and acquiesced in its use and growth. It has posed as a friendly competitor and correspondent. (Def. App. 2, 3, 4, 6, 8, 30.)

With this background of not once having claimed confusion, deception, infringement or trademark invalidity, Petitioner yet appears today in a court of equity asking that by its decree Respondents' business be wiped out by "injunctive relief". It would destroy the vast investments and many jobs of Respondents, their shareholders, bottlers, and employees. Its silence over two decades has been aggravated and unconscionable. It has materially prejudiced Respondents to the point of making defense well nigh impossible. Evidence has been lost in antiquity. (Def. App. 38.) Petitioner's silence in the past has been self-imposed. It has now been judicially imposed.

It is respectfully submitted that the Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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APPENDIX A

Existing United States Trademark Registrations for Non-Alcoholic Beverages Including the Word or Syllable "Up", Excluding Registrations of "Bubble Up" and "7 Up" (or "Seven Up").

Reg. No.	Trademark	Registered
321,841	WAKE-UP	Feb. 19, 1935 (Renewed)
321,927	GET-UP	Feb. 19, 1935 (Renewed)
340,854	PICK UPPER	Nov. 24, 1936 (Renewed)[1]
340,920	CHEER UP	Nov. 24, 1936 (Renewed)[1]
341,558	NATURAL SET UP	Dec. 15, 1936 (Renewed)
341,700	TEE-UP	Dec. 22, 1936 (Renewed)
348,089	ACES UP	Aug. 3, 1937 (Renewed)
357,895	WISE-UP	June 21, 1938 (Renewed)[1]
359,083	HEADS UP HIT-KING OF	Aug. 2, 1938 (Renewed)
362,879	UP DRINKS	Dec. 6, 1938 (Renewed)
363,901	SAILS UP	Jan. 10, 1939 (Renewed)
366,652	UP & UP	Apr. 25, 1939 (Renewed)[1]
370,184	TONE UP	Aug. 22, 1939 (Renewed)[1]
381,173	LEMON UP	Sept. 17, 1940 (Renewed)
383,059	UPPER HO	Nov. 19, 1940 (Renewed)
387,920	FOAM-UP	June 3, 1941
504,531	FRESH UP	Dec. 7, 1948[1]
574,487	PIC-ME-UP	May 19, 1953[1]
613,686	GET UP	Oct. 4, 1955
617,562	CHEER UP	Dec. 13, 1955
626,310	SHAKE-UP	May 1, 1956
652,805	WISE UP	Oct. 8, 1957
693,275	MUGS UP	Feb. 16, 1960
695,751	BOTTOMS UP	Apr. 5, 1960

1 Sec. 15 Affidavit Filed. Registration Incontestable

Supreme Court of the United States

No. 727

PETITIONER'S REPLY TO RESPONDENT'S BRIEF

IN THE

Supreme Court of the United States

OCTOBER TERM, 1960.

No. 727.

THE SEVEN-UP COMPANY,
Petitioner.

vs.

THE O-SO GRAPE COMPANY, ET AL.,
Respondent.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

To the Honorable the Chief Justice of the United States and the Associate Justices of the Supreme Court of the United States:

I.

OPINIONS BELOW.

Since the interlocutory decision of the District Court below, ordering a separate trial on the issue of laches and reported at 177 F. Supp. 91 (Plfs. A. 53-69), was neither appealable nor appealed from, it was not listed in plaintiff's Petition for Certiorari under the heading, "Opinions Below." (Petition, p. 1.)

II.

QUESTIONS PRESENTED.

Defendants' Brief, at page 2, frames what it claims is the only question presented herein. Defendants' framing, however, entirely begs even that one question, for it postu-

fates that plaintiff's offer of judgment admitted laches *of such a protracted and aggravated character as to constitute an estoppel.*

III.

STATEMENT.

Most of defendants' Brief is a rhetorical argument of fact questions either not of record or rendered moot by plaintiff's accepted offer of judgment on the separate issue of laches. Defendants' Statement (Br., pp. 2-5) leaves the impression that defendants' rights in the accused mark and registration are prior to those of plaintiff. Were this so, of course, defendants would have counterclaimed on the ground of priority. But the fact is that use of the accused mark was abandoned for many years by defendants' predecessor prior to defendants' acquisition of the naked registration.

Defendants have attached as an "Appendix A" to their Brief (p. 19) an irrelevant list of trademark registrations some of which belong to plaintiff, some of which have been admittedly abandoned and some of which are currently involved in litigation with plaintiff. Moreover, the list is wholly outside the record and was not before either of the courts below.

IV.

CONFLICT.

That portion of defendants' Brief which seems actually directed to the merits of plaintiff's Petition corroborates rather than refutes plaintiff's arguments that the decision below conflicts with those of this Court and the other Circuits holding that laches does not summarily bar injunctive relief in trademark cases. For example, defendants concede that in trademark and unfair competition

cases laches will not summarily bar injunctive relief. At page 7 of their Brief they quote and emphasize the language of this Court in *McLean* v. *Fleming*, 16 U. S. 245, 253 (1877), to this effect; and, at page 10 of their Brief, they state:

> "The District Court did not hold, and Respondents do not contend that laches (mere delay) constitutes a summarily conclusive or automatic bar to injunctive relief in trademark infringement actions."

Yet, plainly the Court below has held that plaintiff's accepted offer of judgment on laches in favor of defendants constitutes a summarily conclusive or automatic bar to the injunctive relief to which plaintiff seeks to show by trial that it is entitled. Plaintiff admitted laches and nothing else, but was summarily barred from trial of the issues of deliberate, continuing public deception. Thus, defendants and the Court below (Opin., Pet., App. A., p. 21) in effect agree that laches does not summarily bar injunctive relief in trademark cases—*except in this trademark case.*

V.

PUBLIC INTEREST.

Defendants have not controverted plaintiff's contention that the decision below conflicts with those of the other Circuits holding that the Courts have a duty to protect the public against trademark deception. Defendants have merely argued the untried fact issue of deception by claiming that such deception does not exist. No trial of this issue has been permitted, however, and it is such a trial that plaintiff sought and was summarily denied by both courts below on the ground that laches disposed of the case, despite the conflicting law of the decisions of this Court and of the other Circuits. (Petition, pp. 11-12.)

VI.

RULE 68, FED. R. CIV. P.

Defendants similarly fail to respond to plaintiff's argument that the decision below varies the terms of plaintiff's offered and accepted judgment on laches and thereby materially diminishes the beneficent provisions of Rule 68, Fed. R. Civ. P. They claim at page 14 of their Brief that plaintiff admitted all the facts defendants claimed in seeking a separate trial on laches:

> "The facts thereupon become admitted and it is upon these facts that the District Court and the Court of Appeals labeled Petitioner's odious conduct as prolonged and inexcusable and much more than mere delay."

But plaintiff, by the terms of its offered and accepted judgment under Rule 68, Fed. R. Civ. P., admitted *only laches*. (Plfs. A., p. 91.) In finding plaintiff guilty of prolonged and inexcusable conduct amounting to much more than mere delay, the Court below necessarily varied the terms of plaintiff's offered and accepted judgment and thereby emasculated beneficent provisions of Rule 68, Fed. R. Civ. P. (Pet., pp. 13-15.)

VII.

INCONTESTABILITY, 15 U. S. C. 1115(b).

Defendants contend that the incontestability of plaintiff's federal trademark registrations merely affords immunity from attack (Brief, p. 15) rather than precludes defendants from asserting the defense of laches respecting the injunctive relief plaintiff seeks. As authority for this proposition, they cite, "Developments in the Law, Trademarks and Unfair Competition," 68 Harv. L. Rev. 813 (1955) at pp. 829-831. It is noteworthy, however, that the article specifically states at page 830 that the defenses

enumerated in the statute may have been meant to be exclusive respecting the registrant's exclusive right to use, and that "it is unclear whether equitable defenses not here specifically provided for, such as unclean hands, would not still be available." The article also discusses, at pages 829-830, the fact that Section 33(b) (15 U. S. C. 1115(b)) of the Trademark Act affords the registrant not only the incontestable right to be free from attack respecting his own use of the mark, but also the incontestable right to the *exclusive* use of the mark—that is, the incontestable affirmative right to prevent use by another.

Defendants' only arguments respecting incontestability are that (1) plaintiff should have raised the point in the trial court rather than in the Court below where it was fully briefed; (2) that the language in *Apple Growers Assn.* v. *Peltetti Fruit Co.*, 153 F. Supp. 948, 951 (D. C. Cal. 1957), is *obiter dictum*, which it plainly is not; and; (3) that in *Polaroid Corp.* v. *Polaroid Electronics Corp.*, 182 F. Supp. 350, 356 (D. C. N. Y. 1960), aff'd without reference to the question, F. 2d (2d Cir. 1961), 128 USPQ 411, the court reached an opposite result. As was discussed in plaintiff's Petition (p. 16, footnote 1), however, in the *Polaroid* case it is clear that the District Judge misread the statute when he stated that laches came within the exceptions provided in Section 1065 of the Trademark Act (15 U. S. C.). No such exception appears in Section 1065, or elsewhere. Thus defendants' authorities confirm the conflict and unsettled law plaintiff asserts in its Petition.

VIII.

CONCLUSION.

Defendants' "Conclusion" to their Brief (pp. 17-18) is an argument of the merits of a trial that has never occurred and which plaintiff has been summarily denied below despite the conflict thus engendered with the decisions of this Court and those of the other Circuit Courts of Appeal.

As set forth in its Petition, plaintiff believes that the decision below is both in error and in conflict, and that implicit therein are important questions of federal law deserving consideration and settlement by this Court. Defendants' Brief largely confirms plaintiff's contentions.

Respectfully submitted,

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